

DEWITT PUBLIC LIBRARY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name DEWITT PUBLIC LIBRARY	County CLINTON
Audit Date 6-30-2004	Opinion Date SEPTEMBER 13, 2004	Date Accountant Report Submitted to State:	

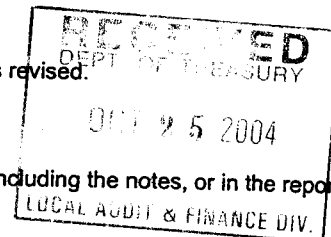
We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.



- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed.	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) MANER, COSTERISAN & ELLIS, P.C.			
Street Address 544 CHERBOURG DRIVE SUITE 200		City LANSING	State MI
Accountant Signature <i>Samuel R. Jeter CPA</i>		ZIP 48917	Date 10-19-04

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**Maner,
Costerisan
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dewitt Public Library
DeWitt, Michigan

September 13, 2004

We have audited the accompanying financial statements of the governmental activities and the major fund of the Dewitt Public Library for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dewitt Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Dewitt Public Library as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of July 1, 2003.

To the Board of Trustees
DeWitt Public Library

September 13, 2004

The management's discussion and analysis and budgetary comparison information on pages v through xi and page 11, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dewitt Public Library's basic financial statements. The financial statements and other additional information presented on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2003 information included in the additional information was audited by other auditors whose report dated August 15, 2003 expressed an unqualified opinion on that information.

Maner, Corterison & Ellis, P. C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeWitt Public Library (the Library), we offer readers of the DeWitt Public Library's financial statements this narrative overview and analysis of the financial activities of the DeWitt Public Library for the fiscal year ended June 30, 2004. In the future, comparative analysis will be provided when prior year information becomes available.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,361,800 (net assets). Of this amount, \$508,202 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$15,230 dollars.
- As of the close of the current fiscal year, the Library's governmental fund reported ending fund balance of \$506,800, a decrease of \$12,097 in comparison with the prior year. All is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$506,800, or 105 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 9 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 11. Additional information can be found on pages 13 and 14 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$1,361,800 at the close of the most recent fiscal year.

By far the largest portion of the Library's net assets (63 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that are still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

DeWitt Public Library's Net Assets

	Governmental activities
	<u>2004</u>
Current and other assets	\$ 523,379
Capital assets	<u>853,598</u>
Total assets	<u>1,376,977</u>
Other liabilities	<u>15,177</u>
Net assets:	
Invested in capital assets, net of related debt	853,598
Unrestricted	<u>508,202</u>
Total net assets	<u>\$ 1,361,800</u>

The unrestricted net assets \$508,202 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets decreased by \$15,230 during the fiscal year. The combined depreciation, uncanceled capital outlay and book and supplies expense increased over last year's capital expenditures by \$28,881 (28.8%). Salaries increased by 14 percent. The Library hired a new youth services librarian and increased the staffing on the front desk because of the 22.1 percent increase in circulation. Lastly, personnel benefits and expenses increased 37 percent. This was due to adding an employee to the pension and an increase in the cost of health care. Note: there were no added services to the health care benefits. All of the above amounts were within budget.

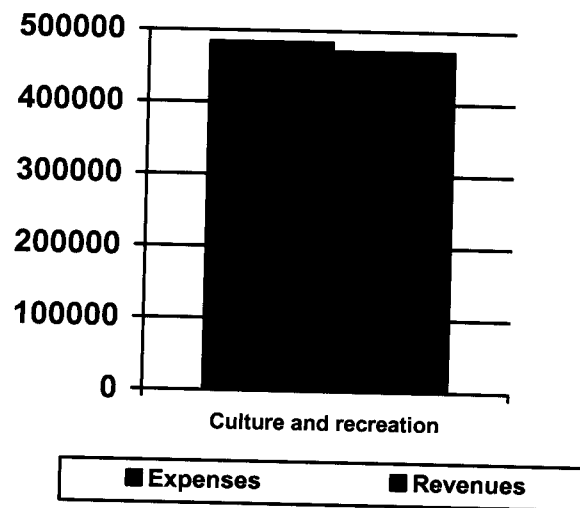
Governmental activities. Governmental activities decreased the Library's net assets by \$15,230, thereby the governmental activities accounted for 100% of the total decrease in the net assets of the Library. Key elements of this decrease are as follows:

DeWitt Public Library's Changes in Net Assets

	<u>Governmental activities</u>
Revenues:	
Charges for services	\$ 13,052
State aid	23,944
Penal fines	201,257
Property taxes	229,660
Investment earnings	4,622
Other	692
Total revenues	<u>473,227</u>
Expenses	<u>488,451</u>
Decrease in net assets	(15,230)
Net assets, January 1, 2003	<u>1,377,030</u>
Net assets, December 31, 2003	<u><u>\$ 1,361,800</u></u>

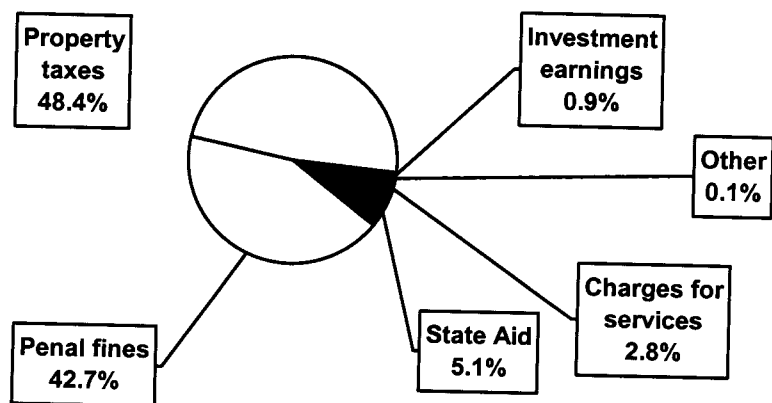
- Overall government activities revenue is up \$39,846 from prior year.
- Expenses for governmental activities went from \$416,673 (pre GASB 34) to \$488,451, an increase of \$71,778. A majority of the increase is due to increased salaries, payroll taxes and employee benefits of \$41,115 and the combined depreciation, capital outlay and book and supplies expense increase of \$28,881. The capital outlay and book and supplies expense increase, without regard to GASB 34, amounted to \$24,346. Both lend to the increase.

Expenses and Revenues – Governmental Activities



Revenues by Source – Governmental Activities

Total Revenues = \$473,227



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Fund

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported ending fund balance of \$506,800, a decrease of \$12,097 in comparison with the prior year. Approximately two thirds of this total amount (\$339,303) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$17,497) or 2) designation for building and site (\$150,000).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$339,303, while total fund balance reached \$506,800. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 70 percent of total general fund expenditures, while total fund balance represents 105 percent of that same amount.

The fund balance of the Library's general fund decreased by \$12,097 during fiscal year 2004. Key factors in this decrease are as follows:

- Hiring of a full time certified librarian.
- Increased purchases of books and tapes to meet increasing circulation.

General Fund Budgetary Highlights - Adjust

- There were no significant differences between the original budget and the final amended budget other than the budget for books and supplies increased approximately \$36,000 and the salaries and wages budget increased approximately \$8,000.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$853,598 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and office equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was .5 percent.

Major capital asset events during the current fiscal year included the following:

Purchase of:

- New library books and audio
- Computers

DeWitt Public Library's Capital Assets (net of depreciation)

	<u>Governmental activities</u>
Land	\$ 70,000
Buildings and building improvements	441,257
Library books	162,495
Furniture and office equipment	90,915
Office equipment	<u>88,931</u>
	<u>\$ 853,598</u>

Additional information on the Library's capital assets can be found in Note 4 on pages 8 and 9 of this report.

Long-term debt. The Library does not have any long-term debt as of June 30, 2004.

Economic Factors and Next Year's Budgets and Rates

DeWitt Public Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2005 that will promote several of the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the DeWitt Public Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the DeWitt Public Library, 13101 Schavey Road, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

DEWITT PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2004

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 198,223	\$	\$ 198,223
Investments	105,000		105,000
Taxes receivable - delinquent	1,402		1,402
Fines receivable - Clinton County	201,257		201,257
Prepaid expenses	17,497		17,497
TOTAL CURRENT ASSETS	<u>523,379</u>		<u>523,379</u>
CAPITAL ASSETS:			
Land		70,000	70,000
Other capital assets, net of accumulated depreciation		783,598	783,598
TOTAL CAPITAL ASSETS		<u>853,598</u> ⁽¹⁾	<u>853,598</u>
TOTAL ASSETS	<u>\$ 523,379</u>	<u>853,598</u>	<u>1,376,977</u>
LIABILITIES:			
Accounts payable	\$ 7,364		7,364
Accrued salaries and related items	7,813		7,813
Deferred property tax revenue	1,402	(1,402) ⁽²⁾	
TOTAL LIABILITIES	<u>16,579</u>	<u>(1,402)</u>	<u>15,177</u>
FUND BALANCE/NET ASSETS:			
Invested in capital assets, net of related debt		853,598	853,598
Unrestricted	506,800	1,402	508,202
TOTAL FUND BALANCE/NET ASSETS	<u>506,800</u>	<u>\$ 855,000</u>	<u>\$ 1,361,800</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 523,379</u>		

⁽¹⁾Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾Taxes receivable expected to be collected after September 1, 2004

See notes to financial statements.

DEWITT PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Statement of revenue, expenditures and changes in fund balance/general fund/modified accrual basis	Adjustments	Statement of activities
REVENUES:			
State aid	\$ 23,944	\$	\$ 23,944
Penal fines	201,257		201,257
Property taxes	228,258	1,402 (1)	229,660
Fines on books and videos	13,052		13,052
Investment income	4,622		4,622
Other	692		692
Total revenues	471,825	1,402	473,227
EXPENDITURES:			
Current:			
Salaries and employee benefits	226,377		226,377
Payroll taxes	17,026		17,026
Personnel benefits and expenses	40,023		40,023
Books and supplies	94,786	(77,523) (2)	17,263
Contractual services	8,405		8,405
Telephone and utilities	18,384		18,384
Insurance	6,969		6,969
Printing	449		449
Repairs and maintenance	23,442		23,442
Education and training	3,720		3,720
State aid co-op	11,972		11,972
Miscellaneous	2,572		2,572
Capital outlay	29,797	(17,560) (2)	12,237
Depreciation		99,618 (2)	99,618
Total expenditures	483,922	4,535	488,457
Net change in fund balance	(12,097)	(3,133)	(15,230)
FUND BALANCE, beginning of year	518,897	858,133	1,377,030
FUND BALANCE, end of year	\$ 506,800	\$ 855,000	\$ 1,361,800

(1) Delinquent property taxes are reported on the accrual method in the statement of activities, and recorded as revenue when the financial resources are collected in the governmental fund. The adjustment represents funds expected to be collected after September 1.

(2) Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

See notes to financial statements.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dewitt Public Library is established in accordance with Michigan Public Act 24 of 1989, also known as The District Library Establishment Act. Its primary purpose is to establish, maintain, and operate a public library. The Library serves the residents of the City of DeWitt and DeWitt Charter Township who each appoint three individuals to the six member board.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library has no component units.

A. Adoption of New Accounting Standards

During the fiscal period ending June 30, 2004, the Library adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Township to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at June 30, 2003	\$ 518,897
Net capital assets	<u>858,133</u>
Restated net assets - July 1, 2003	<u><u>\$ 1,377,030</u></u>

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. Current investments consist entirely of bank certificates of deposit and are carried at cost which approximates fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets (Concluded)

Capital assets of the primary government, are depreciated using the straight-line method over the following estimated useful live:

<u>Assets</u>	<u>Years</u>
Library books	5
Furniture and equipment	5-10

G. Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which is not paid to employees upon separation from the Library. Unused vacation lapses at the end of the Library's fiscal year. These amounts are not required to be accrued.

H. Property Taxes

Property taxes levied by the Library are collected by various municipalities and periodically remitted to the Library. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is mid-February, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the Library levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund	0.4950

I. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE – BUDGETS (Concluded)

Encumbrances represent commitments related to unperformed contracts for goods or services. The Library does not utilize encumbrance accounting.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the adoption of a budget, a public hearing on the proposed budget is conducted within the requirements of the Budget Hearings of Local Governments Act, 1963 PA 43, MCL 141.411-141.415. Notice of the public hearing appears in a local paper at least six days prior to such hearing. The notice includes the time and place of the hearing as well as stating a place where a copy of the budget is available for public inspection.
2. Any revisions of the budget must be approved by the Library Board.
3. The budget is legally enacted through board resolution, generally in May. The budget includes proposed expenditures and the means of financing them.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Library Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
6. The budget is prepared by the activity level and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 3 - CASH AND INVESTMENTS

Deposits

At year-end, the carrying amount of the Library's deposits was \$302,862 of which \$105,000 is invested in certificates of deposits. The bank balance was \$319,030 of which \$200,000 was covered by federal depository insurance and \$119,030 was uninsured and uncollateralized. The Library places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the Library, subject to minimal risk. Petty cash amounted to \$361.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CASH AND INVESTMENTS (Concluded)

Investments

The Library's investments consist of certificates of deposits with maturities greater than 90 days.

Financial Statement Presentation

	Primary government
Cash	\$ 198,223
Investments	<u>105,000</u>
	<u>\$ 303,223</u>

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,000	\$	\$	\$ 70,000
Capital assets being depreciated:				
Building and building improvements	524,379			524,379
Library books and videos	230,423	77,523		307,946
Furniture and fixtures	172,141		96	172,045
Office equipment	184,573	17,560	4,610	197,523
Total capital assets, being depreciated	<u>1,111,516</u>	<u>95,083</u>	<u>4,706</u>	<u>1,201,893</u>
Less accumulated depreciation for:				
Building and building improvements	68,438	14,684		83,122
Library books and videos	91,614	53,837		145,451
Furniture and fixtures	67,919	13,307	96	81,130
Office equipment	95,412	17,790	4,610	108,592
Total accumulated depreciation	<u>323,383</u>	<u>99,618</u>	<u>4,706</u>	<u>418,295</u>
Total capital assets, being depreciated-net	<u>788,133</u>	<u>(4,535)</u>		<u>783,598</u>
Total capital assets	<u>\$ 858,133</u>	<u>\$ (4,535)</u>	<u>\$</u>	<u>\$ 853,598</u>

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS (Concluded)

In 2004, the Library took a physical inventory of their fixed assets in anticipation of implementing GASB 34. Beginning balances increased by approximately \$170,000.

NOTE 5 - PENSION PLANS

The Library has a defined contribution pension plan covering all eligible employees. The plan (SEP-IRA) was established by the Board of Trustees who reserves the right to amend all provisions. Plan assets are invested in separate employee accounts with a mutual fund under the provisions of Section 408(k) of the Internal Revenue Code.

The Plan, a defined contribution pension plan, provides pension contributions in return for services rendered, an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under the Plan, the benefits a participant will receive depend solely on the amount contributed and returns earned on the investment of those contributions.

The plan requires the employer to contribute, with certain limitations, ten percent of the participating employees gross wages on a fiscal year basis. Employer contributions for the year ended June 30, 2004 amounted to \$11,759.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2004 or any of the prior three years.

NOTE 7 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

Designations and reservations exist in the general fund for the following:

Designated - building and site improvements	\$ 150,000
Reserved - prepaid expenses	<u>17,497</u>
	<u><u>\$ 167,497</u></u>

NOTE 8– USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

**DEWITT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES:				
Local sources:				
Property taxes	\$ 212,083	\$ 250,646	\$ 228,258	\$ (22,388)
Penal fines	203,109	205,932	201,257	(4,675)
Fines on books and videos	12,000	15,753	13,052	(2,701)
Investment income	5,575	3,328	4,622	1,294
Other			692	692
Total local sources	432,767	475,659	447,881	(27,778)
State sources	22,992	23,944	23,944	
Total revenues	455,759	499,603	471,825	(27,778)
EXPENDITURES:				
Current:				
Salaries and wages	225,466	233,241	226,377	6,864
Payroll taxes	16,904	17,494	17,026	468
Personnel benefits and expenses	44,067	47,185	40,023	7,162
Books and supplies	72,425	107,989	94,786	13,203
Contractual services	7,417	9,966	8,405	1,561
Telephone and utilities	22,351	18,959	18,384	575
Insurance	6,627	7,116	6,969	147
Printing	100	921	449	472
Repairs and maintenance	24,753	33,577	23,442	10,135
Education and training	4,000	4,000	3,720	280
State aid co-op	11,496	11,972	11,972	
Miscellaneous	6,153	5,832	2,572	3,260
Capital outlay	14,000	31,251	29,797	1,454
Total expenditures	455,759	529,503	483,922	45,581
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$ (29,900)</u>	<u>(12,097)</u>	<u>\$ 17,803</u>
FUND BALANCE:				
Beginning of year			518,897	
End of year			<u>\$ 506,800</u>	

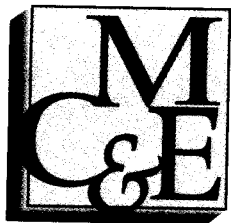
ADDITIONAL INFORMATION

**DEWITT PUBLIC LIBRARY
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Cash	\$ 198,223	\$ 245,824
Investments	105,000	105,000
State aid receivable		3,576
Taxes receivable-delinquent	1,402	1,745
Fines receivable-Clinton County	201,257	180,495
Prepaid expenses	<u>17,497</u>	
TOTAL ASSETS	<u><u>\$ 523,379</u></u>	<u><u>\$ 536,640</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 7,364	\$ 13,775
Accrued salaries and related items	7,813	3,968
Deferred property tax revenue	<u>1,402</u>	
TOTAL LIABILITIES	<u>16,579</u>	<u>17,743</u>
 FUND BALANCE:		
Reserved for prepaid expenses	17,497	
Reserved - donations		7,814
Designated-building and site	150,000	
Unrestricted	<u>339,303</u>	<u>511,083</u>
TOTAL FUND BALANCE	<u>506,800</u>	<u>518,897</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 523,379</u></u>	<u><u>\$ 536,640</u></u>

**DEWITT PUBLIC LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
REVENUES:		
State aid	\$ 23,944	\$ 22,816
Penal fines	201,257	180,495
Property taxes	228,258	213,528
Book and video fines	13,052	11,282
Investment income	4,622	4,173
Other	692	1,087
	<u>471,825</u>	<u>433,381</u>
Total revenues		
EXPENDITURES:		
Current:		
Salaries and wages	226,377	197,939
Payroll taxes	17,026	15,175
Personnel benefits and expenses	40,023	29,197
Books and supplies	94,786	81,813
Contractual services	8,405	9,931
Telephone and utilities	18,384	15,421
Insurance	6,969	6,813
Printing	449	558
Repairs and maintenance	23,442	24,737
Education and training	3,720	2,758
State aid co-op	11,972	11,408
Capital outlay	29,797	18,424
Miscellaneous	2,572	2,499
	<u>483,922</u>	<u>416,673</u>
Total expenditures		
Net change in fund balance	(12,097)	16,708
FUND BALANCE, beginning of year	<u>518,897</u>	<u>502,189</u>
FUND BALANCE, end of year	<u>\$ 506,800</u>	<u>\$ 518,897</u>

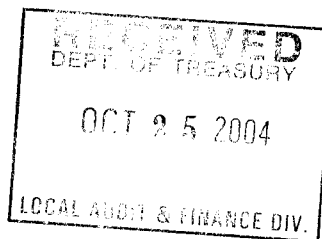


**Maner,
Costerisan
& Ellis, P.C.**
Certified Public Accountants

Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)



September 13, 2004

To the Board of Trustees
DeWitt Public Library
DeWitt, Michigan 48820

In planning and performing our audit of the financial statements of DeWitt Public Library for the year ended June 30, 2004, we considered DeWitt Public Library's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated September 13, 2004, on the financial statements of DeWitt Public Library.

Initial Listing of Cash Receipts

Currently the initial listing of cash receipts for DeWitt Public Library is given to the individual who records, and or takes the deposit to the bank. We recommend that the person who makes the initial listing of cash receipts send the listing to the treasurer or to the individual who prepares your monthly bank reconciliation. The individual who receives the initial check listing should compare the listing to the bank deposit and the general ledger. This will tighten the controls over cash receipts.

Unopened Bank Statements

Under the current system, unopened bank statements go to the library director who also approves checks and is a signer. Controls would be strengthened if the monthly bank statements and cancelled checks were sent to the CPA firm who does the quarterly bookkeeping work or to the Treasurer. This individual should review disbursements recorded on the bank statement and review cancelled checks for payee, signer, endorsement and amount. Check numbers should also be accounted for. This will help insure adequate segregation of duties and help reduce the risk of irregularities.

Monthly Bank Reconciliation

During the course of our audit, we became aware that bank reconciliations are not done on a monthly basis. Timely periodic reconciliations of bank accounts will improve controls surrounding cash by minimizing the chance that errors or irregularities will go undetected. We recommend that the CPA firm performing the quarterly work also perform monthly bank reconciliation when they receive the unopened bank statements.

Long outstanding checks should also be investigated.

Physical Inspections of Certificates of Deposits

Another issue that we thought was of key importance is that there are no physical verifications made that the CD certificates are still in the safe. By having the Treasurer or other Board member verify that the CD certificates are secured in the safe and not cashed in the risk of having them misappropriated will be reduced.

Approving Time Cards and Custody of Unclaimed Payroll Checks

Currently, an employee's supervisor and the library director review the individual time cards, but there is no physical approval noted. We recommend the individual who approves the time card sign off on the card to properly document the approval process.

Currently, employee paychecks are placed in the employee's mailbox and are left there until collected. It is possible that an employee could get another's paycheck, either by accident or intentionally. To improve the paycheck security, we suggest all other unclaimed checks be secured until the proper employee can claim it.

Capitalization Policy

Currently, the Library's policy is to capitalize fixed assets of \$300 or more. You may wish to increase the policy limit to streamline the fixed asset process.

The Library should also review the depreciation schedule periodically and delete those items no longer at the Library.

Book and Video Fines

You may wish to update the written fine policy to reflect current practice.

Disaster Recovery Plan

We identified is that there is no formal disaster recovery plan currently in place. Being prepared and having a contingency plan to follow in the case of a disaster will aid in recovery and a quick return to normal operations. Unexpected events do occur and it is always best to have a plan in place to help guide decisions that will help in the recovery of a disaster.

Accounting and Procedures Manual

Currently there is no accounting and procedures manual. The Library should develop a procedure manual to assist in recording of transactions. A manual will ensure that in a case of employee turnover the operations and procedures in recording transactions remain consistent.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of DeWitt Public Library, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Corterison & Ellis, P.C.



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September 13, 2004

To the Board of Trustees
DeWitt Public Library
DeWitt, Michigan

We have audited the financial statements of the DeWitt Public Library for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 20, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of DeWitt Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by DeWitt Public Library is described in Note 1 to the financial statements. We noted no transactions entered into by DeWitt Public Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed assets lives for depreciation.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on DeWitt Public Library's financial reporting process that is, cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the DeWitt Public Library, either individually or in the aggregate, indicate matters that could have a significant effect on the DeWitt Public Library's financial reporting process. GASB 34 entries are included in the financial statements.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as DeWitt Public Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of the DeWitt Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerison & Ellis, P.C.